

Trans Canada Trail

**Financial Statements
March 31, 2013 and 2012**

Trans Canada Trail

Financial Statements March 31, 2013 and 2012

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RICHTER

Independent Auditor's Report

To the Members of
Trans Canada Trail

We have audited the accompanying financial statements of Trans Canada Trail, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Trans Canada Trail as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Richter LLP

Montréal, Québec
June 27, 2013

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Trans Canada Trail

Statements of Financial Position As at March 31, 2013 and 2012 and April 1, 2011

	2013 \$	2012 \$	April 1, 2011 \$
Assets			
Cash	197,192	410,367	560,151
Marketable securities	1,300,000	401,297	502,026
Accounts receivable (note 4)	94,086	43,662	48,183
Prepaid expenses	71,401	98,561	117,387
Due from Trans Canada Trail Foundation	-	85,476	-
Equipment (note 5)	261,577	361,283	68,034
	1,924,256	1,400,646	1,295,781
Liabilities			
Accounts payable and accrued liabilities	681,180	210,742	607,929
Deferred contributions (note 6)	266,563	472,270	176,530
Deferred revenue - Parks Canada grant (note 7)	-	5,159	-
Due to Trans Canada Trail Foundation (note 8)	26,575	-	-
	974,318	688,171	784,459
Commitments and contingencies (note 9)			
Net assets			
Invested in equipment	28,200	49,753	68,034
Endowment fund	51,723	51,204	51,261
Unrestricted	870,015	611,518	392,027
	949,938	712,475	511,322
	1,924,256	1,400,646	1,295,781

See accompanying notes

Approved on behalf of the board


_____, Director


_____, Director

Trans Canada Trail

Statements of Changes in Net Assets For the Years Ended March 31, 2013 and 2012

	Investment in equipment \$	Endowment fund \$	Unrestricted \$	2013 Total \$	2012 Total \$
Balance - beginning of year	49,753	51,204	611,518	712,475	511,322
Excess (deficiency) of revenue over expenses	(21,553)	519	258,497	237,463	201,153
Balance - end of year	28,200	51,723	870,015	949,938	712,475

See accompanying notes

Trans Canada Trail

Statements of Operations For the Years Ended March 31, 2013 and 2012

	2013	2012
	\$	\$
Revenue		
Parks Canada grant (note 7)	5,930,296	3,569,704
Designated donations	12,500	70,335
Donations	195,720	1,408,332
Investment income	777	5,488
Miscellaneous income	6,736	6,933
Contributions from Trans Canada Trail Foundation	1,289,764	588,000
	7,435,793	5,648,792
Expenses		
Trail construction	4,988,890	1,927,430
Trail promotion and education	775,339	1,588,625
Fundraising (note 11)	649,600	949,778
Strategic alliances	55,150	142,790
General and administrative	614,591	777,412
Amortization of equipment	114,760	57,598
Loss on disposal of equipment	-	4,006
	7,198,330	5,447,639
Excess of revenue over expenses	237,463	201,153

See accompanying notes

Trans Canada Trail

Statements of Cash Flows For the Years Ended March 31, 2013 and 2012

	2013 \$	2012 \$
Operating activities		
Excess of revenue over expenses	237,463	201,153
Amortization of equipment	114,760	57,598
Loss (gain) on sale of marketable securities	1,297	(6,168)
Loss on mark-to-market of marketable securities	-	1,280
Loss on disposal of equipment	-	4,006
In-kind donations	(60,472)	-
Deferred contributions recognized in the year	(205,707)	(222,567)
Deferred revenue - Parks Canada grant recognized in the year	(5,159)	-
	82,182	35,302
Changes in non-cash operating elements	447,174	(169,933)
	529,356	(134,631)
Investing activities		
Additions to equipment	(15,054)	(40,453)
Additions to marketable securities	(1,939,528)	(1,300,000)
Proceeds from redemption of marketable securities	1,100,000	1,405,617
Investment income earned on advances from Parks Canada	-	5,159
Due to Trans Canada Trail Foundation	112,051	(85,476)
	(742,531)	(15,153)
Decrease in cash	(213,175)	(149,784)
Cash - beginning of year	410,367	560,151
Cash - end of year	197,192	410,367

See accompanying notes

Trans Canada Trail

Notes to Financial Statements

March 31, 2013 and 2012

1. Nature of business

The Organization is a Canadian Not-for-profit charitable organization founded in 1992 and is a registered charity under the Income Tax Act (Canada).

Trans Canada Trail's mission is the creation, promotion and support of a national recreational trail, linking local trails and the development and construction of new trails, that support this iconic network of trails that will stretch from coast to coast to coast.

2. Basis of accounting

The Organization has elected to apply Canadian accounting standards for not-for-profit organizations (ASNFPPO) in Part III of the CICA Accounting Handbook.

These financial statements are the first for which the Organization has applied ASNFPPO.

CICA Handbook Section 1501, First-time adoption by not-for-profit organizations (Section 1501) has been applied in order to effect the transition. The date of transition is April 1, 2011. The general principle underlying ASNFPPO is that a first time adopter should prepare its financial statements as if it had always accounted under ASNFPPO. As such, all standards have been applied retrospectively. However, in view of the work that may be involved in carrying this out, Section 1501 provides for some mandatory exceptions and optional exemptions from the full retrospective application of ASNFPPO.

The adoption of these standards did not have any impact on the net assets at the date of transition. The adoption did not have any impact on the excess of revenue over expenses of the Organization for the most recent previously issued financial statements for the year ended March 31, 2012.

In preparing these financial statements in accordance with Section 1501, the Organization has applied the mandatory exceptions and has not elected to apply any optional exemptions.

3. Summary of significant accounting policies

Trans Canada Trail Foundation

The Trans Canada Trail Foundation, an independent organization, raises funds to support the Trans Canada Trail.

Use of estimates

The preparation of financial statements in conformity with accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Trans Canada Trail

Notes to Financial Statements March 31, 2013 and 2012

3. Summary of significant accounting policies (continued)

Revenue recognition

Donations and grant revenue are recognized using the deferral method of accounting for contributions. Restricted contributions (designated donations) related to expenses of future years are deferred and recognized in revenue in the year in which the related expenses are incurred. Unrestricted donations are recognized as revenue upon receipt. Membership revenue is recorded on a cash basis. All memberships are for a one-year period and are recorded in revenues in the year received. Endowment contributions are recognized as direct increases in net assets.

Marketable securities

The marketable securities are carried at fair value (which approximates the cost), and mature between June 2013 and March 2014 and bear interest at a weighted-average rate of 0.90% (2012 - 1.69%) per annum.

Equipment

Equipment consisting of furniture and fixtures, and computer equipment is recorded at cost. Amortization is provided for on a declining balance basis at a rate of 30% per annum.

Donated fixed assets

In 2012, \$314,400 was recognized as a contribution to equipment representing the fair value of equipment donated to the Organization.

Donated services and assets

A significant portion of Trans Canada Trail's work is dependent on the contributions of volunteers. Volunteer services are not normally purchased by the Organization and, due to difficulty in determining their fair value, these services are not recognized in these financial statements.

Trans Canada Trail has received donations in kind of beneficial interests in railway rights-of-way. As these assets would not have otherwise been purchased by the Organization, the donated land is not recognized in the financial statements (see note 10).

In addition to the equipment, in-kind donations having a fair value of \$93,207 (2012 - \$1,155,196) were recognized in the financial statements during the year ended March 31, 2013.

Trans Canada Trail

Notes to Financial Statements March 31, 2013 and 2012

3. Summary of significant accounting policies (continued)

Financial instruments

Measurement

The Organization initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net earnings.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The Company's financial assets measured at fair value include marketable securities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of possible impairment. The Organization determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of the present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the balance sheet date. The amount of the write-down is recognized in net earnings. The previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net earnings.

Transaction costs

The Organization recognizes its transaction costs in net earnings in the period incurred. However, transaction costs related to financial instruments subsequently measured at amortized cost reduce the carrying amount of the financial asset or liability and are accounted for in the statement of earnings using the straight-line method.

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Notes to Financial Statements March 31, 2013 and 2012

4. Accounts receivable

	2013 \$	2012 \$
Government remittances	42,258	37,897
Other receivables	51,828	5,765
	94,086	43,662

5. Equipment

	Cost \$	Accumulated amortization \$	2013 Net carrying amount \$	2012 Net carrying amount \$
Furniture and fixtures	37,285	36,439	846	1,209
Computer equipment	441,733	181,002	260,731	360,074
	479,018	217,441	261,577	361,283

6. Deferred contributions

In accordance with Trans Canada Trail's revenue recognition policy, donations received for specific projects are recorded in revenue as related expenditures are incurred.

The total deferred contributions as at March 31, 2013 of \$266,563 (2012 - \$472,270) consist of designated donations of \$49,080 (2012 - \$161,580) and \$217,483 (2012 - \$310,690) representing the deferred portion of in-kind donations of equipment.

Changes in the deferred contributions balance are as follows:

	2013 \$	2012 \$
Deferred contributions - beginning of year	472,270	176,530
Designated donations received	-	203,907
In-kind donations received	-	314,400
Designated donations recognized as revenue in the year	(112,500)	(179,243)
In-kind donations recognized as revenue in the year	(93,207)	(43,324)
Deferred contributions - end of year	266,563	472,270

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Notes to Financial Statements March 31, 2013 and 2012

7. Parks Canada grant

On December 27, 2010, Trans Canada Trail signed a \$10,000,000 Contribution Agreement with Parks Canada towards eligible expenditures for the period January 1, 2011 to March 31, 2013. The funding provides for continued strategic granting to trail projects and organizational capacity building. For the period April 1, 2012 to March 31, 2013, Parks Canada provided advances totaling \$5,881,740, with an additional \$48,556 receivable at March 31, 2013, for a total of \$5,930,296 which was fully expended on eligible expenditures by March 31, 2013.

8. Due to Trans Canada Trail Foundation

Amounts due to Trans Canada Trail Foundation are non-interest bearing and have no specific terms of repayment.

9. Commitments and contingencies

Commitments

As at March 31, 2013, Trans Canada Trail had commitments to trail groups to fund trail construction totalling \$316,951 (2012 - \$1,108,232).

Contingencies

a) Trans Canada Trail is party to various unresolved claims and complaints arising in the ordinary course of business. In the opinion of management, all such pending matters are adequately covered by insurance. Any loss in excess of amounts covered by the Organization's insurance policy would be reflected as an expense in the year in which the loss becomes likely and can be reasonably estimated.

b) The Organization has been assessed for approximately \$246,000 for property taxes on its railway rights-of-way for trail development. As described in note 10, it is the Organization's intention to transfer the title of the interests in the railway rights-of-way to municipalities and others.

In the opinion of management, all of the interests in the railway rights-of-way will be transferred and the Organization will not be liable for any of these property taxes. As such, the amounts have not been paid or reflected in the accounts.

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Notes to Financial Statements March 31, 2013 and 2012

10. Railway rights-of-way for trail development

By agreement concluded in December 1998, Trans Canada Trail accepted, for trail development, the donation in-kind from Canadian Pacific Railway of beneficial interests in railway rights-of-way with an appraised fair market value of approximately \$37,200,000.

By agreement, originally effective October 23, 2000, amended to be effective January 1, 2001, Trans Canada Trail accepted, for trail development, a donation in kind from Canadian National Railway of beneficial interests in railway rights-of-way with an appraised fair market value of approximately \$10,000,000.

Trans Canada Trail has, in essence, obtained the rights-of-way for trail development and it is the Organization's intention to transfer the title of the interests in the railway rights-of-way in co-operation with provincial and territorial organizations and others. During the year, the Organization donated or sold \$36,570 (2012 - \$1,254,242) of the interests in railway rights-of-way donated by Canadian Pacific Railway and Canadian National Railway to municipalities and private individuals in the province of Saskatchewan for proceeds of \$1,975 (2012 - \$23).

Summaries of the railway right-of-way properties, including any changes during the year, at their initial appraisal values are as follows:

	Canadian Pacific Railway \$	Canadian National Railway \$	Total \$
Balance - April 1, 2011	3,092,198	6,138,305	9,230,503
Donated or sold during the year	621,442	632,800	1,254,242
Balance - March 31, 2012	2,470,756	5,505,505	7,976,261
Donated or sold during the year	34,784	1,786	36,570
Balance - March 31, 2013	2,435,972	5,503,719	7,939,691

11. Fundraising

Certain fundraising expenses were covered by a grant from Parks Canada to the Organization. These expenses are therefore recorded in the financial statements of the Organization. Fundraising expenses not covered by the Parks Canada grant and attributable to the Trans Canada Trail Foundation were recorded in the financial statements of the Foundation.

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Notes to Financial Statements March 31, 2013 and 2012

12. Related party transactions

In 2013, Trans Canada Trail incurred \$11,300 (2012 - \$10,764) in legal services from a director's law firm. The services were performed in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the parties.

The Organization shares in the cost of certain common overhead with the Trans Canada Trail Foundation. In the year ended March 31, 2013, the Organization charged the Foundation approximately \$246,000 for these costs (2012 - \$170,000).

13. Financial instruments

Risk management policy

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at the balance sheet date.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Organization provides credit to certain parties in the normal course of its operations. The Organization evaluates the collectibility of its accounts receivable at regular intervals and provides for doubtful accounts when collectibility becomes doubtful.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Organization is exposed to fair value risk on its marketable securities which bear interest at a fixed rate and is exposed to cash flow risk on its cash which bears interest at a floating rate.

Liquidity risk

Liquidity risk is the risk the Organization will have difficulty in meeting obligations associated with financial liabilities. Prudent management of liquidity risk implies retaining a sufficient level of liquidities, arranging for appropriate credit facilities and being able to liquidate market positions. The Organization believes that its recurring financial resources are adequate to cover all its expenditures.